



Market Place Lofts-Des Moines
Photo courtesy of Hubbell Realty

MORE INFORMATION

If you would like to learn more about the Housing Tax Credit program, or if you're interested in learning more about investment opportunities, contact IFA's housing tax credit team at **800.432.7230**. Information is also available at www.IowaFinanceAuthority.gov.

PROGRAM DETAILS

Congress established the Low-Income Housing Tax Credit (Housing Tax Credit) program as part of the 1986 Federal Tax Reform Act. The Iowa Finance Authority (IFA) is designated by the governor to allocate these housing tax credits in Iowa.

Annually, the U.S. Department of Treasury's Internal Revenue Service (IRS) allocates housing tax credits on a per capita basis to each state based on population. The credits are not cash awards; instead, they provide a dollar-for-dollar reduction to an investor's tax liability on ordinary income. Developers of affordable housing sell the housing tax credits to investors as a way to finance the projects and keep rents low for eventual tenants.

The IRS oversees the program on the federal level and provides general guidelines for it. Each state also sets its own rules that are included in a Qualified Allocation Plan (QAP). With public input, IFA reviews and updates its QAP annually, making sure that the Housing Tax Credit program supports housing needs specific to Iowa. Iowa's QAP is available at www.IowaFinanceAuthority.gov.

800.432.7230

www.IowaFinanceAuthority.gov



Clinton Block Apartments-Clinton
Photo courtesy of CHI Housing, Inc.

HOUSING TAX CREDIT PROGRAM

Iowa Finance Authority

Win-win . . .

... supporting affordable housing development.

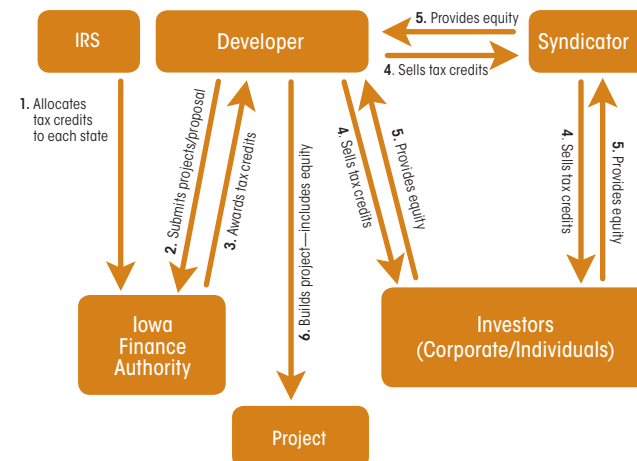
Perhaps the nation's most successful housing initiative, the Housing Tax Credit program has enabled the creation of nearly 19,000 units of affordable housing in almost every Iowa county since its inception.



HOW IT WORKS

The IRS annually allocates federal housing tax credits to State Housing Credit Agencies. In Iowa, that agency is the Iowa Finance Authority, which awards the housing tax credits to eligible affordable housing developers.

Housing developers use the equity generated from the sale of housing tax credits to finance project construction. The equity lessens the burden of development costs, making it easier to offer lower, more affordable rents. Investors, such as banks or corporations, purchase the housing tax credits to reduce their federal tax liability.



WHO IT HELPS

Apartments financed with housing tax credits help stabilize neighborhoods by improving housing quality and supply. These affordable housing developments often attract young people just starting out on their career paths, seniors, workers in lower-paying jobs, or persons with disabilities who are unable to maintain a house but want to live independently. Projects financed with housing tax credits benefit singles, couples and families.

At the time of the application, developers must select one of two income elections that the tenants must fulfill. The property may target tenants who earn no more than 60 percent of the area median income or 50 percent of the area median income. The U.S. Department of Housing and Urban Development determines the area median income of each county and the maximum rents for each.

Here are area median income examples from an urban and rural county, based on 2008 data.

Polk County:	60 percent AMI is \$28,560
	50 percent AMI is \$23,800
Cherokee County:	60 percent AMI is \$22,500
	50 percent AMI is \$18,750

MICHAEL LASKASKY

CBS-TV sports reporter/anchor
Resident of Crescent Lofts, Davenport,
which was awarded housing tax credits in 2003.

"I work at the CBS affiliate that serves the Quad Cities as the weekday sports reporter and weekend sports anchor. It's my first job since graduating from Northwestern University in June of 2007.



I was looking for an affordable and convenient place to live as I begin my career in television, and decided living at the Crescent Lofts would be my best option. I have lived at the Lofts since August of 2007.

Both the location and the giant windows are great amenities. I love being able to see the river and I'm less than five minutes away from the TV station. I also appreciate the professionalism and attentiveness of the management. I'm proud to call the Crescent Lofts home."

WHY IT WORKS

While thousands of Iowans live in tax credit-financed housing, few people understand that the program's success depends largely on the support of corporate investors.

Investors who purchase the housing tax credits generate equity for the housing developer to finance the project construction. In return, investors realize several benefits.

- Most housing tax credit investors earn a double-digit return on their investment.
- Investors can support local projects and take pride in the fact that they're helping to provide safe, decent and affordable housing for their residents.
- New construction or rehabilitated housing is local economic development. These projects create jobs and support the local tax base.
- Housing tax credits may qualify as a Community Reinvestment Act credit.
- While investors naturally share some risk, that risk is small. All housing tax credit applications are thoroughly underwritten and completed projects are closely monitored to ensure their compliance with various federal and state regulations.

DISASTER RELIEF CREDITS

IFA annually receives an allocation of housing tax credits equal to roughly \$6 million. (Investors realize the credits over 10 years, so Iowa's yearly allocation actually equals approximately \$60 million.)

In 2008, IFA received an additional allocation of housing tax credits when Congress passed the Title VII Heartland Disaster Relief Act. These new housing tax credits total more than \$60 million (or approximately \$600 million over 10 years) and are available through 2010.

Projects in the 78 counties that were declared Presidential Disaster Areas as a result of the storms and floods of 2008 are eligible to receive housing tax credits from the special allocation. Projects in any Iowa county can still receive housing tax credits from IFA's usual allocation.

The Disaster Relief Act allocation of housing tax credits means Iowa is poised to benefit from hundreds of new units of affordable housing. And the influx of successful housing tax credit applications means there is high demand for housing tax credit investors.